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19 March 1986

China Report

ECONOMIC AFFAIRS

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19 March 1986

CHINA REPORT
ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

HU YAOBANG INSPECTS SOUTHWEST PROVINCES

OW231507 Beijing XINHUA in English 1446 GMT 23 Feb 86

[Text] Beijing, 23 Feb (XINHUA)--General Secretary of the Communist Party Central Committee Hu Yaobang inspected Guizhou and Yunnan provinces and Guangxi Zhuang Autonomous Region between 4 and 16 February. He spoke to local cadres on 19 February in Nanning, capital of Guangxi, summarizing his 2-week fact-finding tour which had taken him to more than a dozen counties in this rugged mountainous part of southwest China.

In the speech Hu Yaobang urged the leading cadres, both at the central and provincial levels, to find the real situation at the grassroots for themselves, in order to improve their links with the people and give a correct leadership.

Reviewing the general development of China's rural reform in the past 7 years, Hu noted that two principles are of primary importance: First is common prosperity for all. However, in a period of considerable length to come, some peasants will be allowed to achieve prosperity faster than others. Second, a suitable proportion should be maintained between rural and urban population. This can be done by developing rural enterprises and other undertakings to absorb peasants who are no longer needed by farming.

The general secretary also discussed the economic prospects of Guizhou, Yunnan and Guangxi, basing himself on his own findings and reports by the provincial and regional leaders. He had also heard reports from three study groups sent by the central authorities there.

Hu said that despite the economic progress in the past few years, Guizhou, Yunnan and Guangxi are still less developed than most parts of the country. He suggested these areas should make full use of their own natural advantages--rich mineral resources, valleys suited for growing sub-tropical crops, and large expanses of highland pastures for developing animal husbandry.

During the inspection tour, Hu Yaobang also visited Beihai City in Guangxi, one of the 14 coastal cities further opened to foreign investment.

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NATIONAL POLICY AND ISSUES

INDUSTRIAL GROWTH SLOWS ACCORDING TO POLICY

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 10 Nov 85 p 1

[Article by Ge Daxin [5514 1129 2502]: "China Sees Results From Increased Macroeconomic Control; Industrial Growth Rate Gradually Approaches Normal Levels; GVIO for January to October Exceeds 680 Billion Yuan"]

[Text] People have been concerned that China's industrial growth rate during the first half of this year was excessively high. But after the CPC Central Committee and the State Council adopted a series of macroeconomic control measures, the growth rate has been lowered and has slowly headed toward a normal level.

According to statistics supplied today by the State Statistical Bureau, China through October this year had a GVIO of more than 68.04 billion yuan. Compared to the same period in the previous year, the rate of growth for the January to October period declined from 23.1 percent for the first 6 months to 19.6 percent. During the first half of the year, monthly industrial production increased from 22 to 25 percent over the same month of the previous year. Starting in July, however, the increases began to decline. The rate of growth for July was 20.2 percent; for August, 17.4 percent; for September, 14.5 percent; and for October, 11.7 percent.

The slow reduction of the excessively high rate of industrial production in China has been achieved by beginning to bring under control the excessively rapid increase in fixed-asset investments and consumer savings, by production adjustments, by quickening the advance of key construction projects, and by the flourishing of markets. According to statistics, from January through October China's total light industry output was more than 338.8 billion yuan, which is an increase of 21.8 percent over the same period in the previous year. Heavy industry output was more than 341.5 billion yuan, which is an increase of 17.6 percent over the same period in the previous year. Light and heavy industries already occupy virtually equal shares of total industrial output. Due to controls placed on the scale of fixed-asset investments, the rate of growth of most machine goods has clearly been slowed, aside from the equipment needed for the state's key construction projects. At the same time, the production of light industry goods for which there is strong market demand, especially durable consumer goods, continues to expand relatively quickly. The energy and raw material industrial sectors also have continued to maintain a steady pace of development. Among 100 important industrial products drawn from

throughout China, there were 19 whose production as of the end of October had already met production quotas set for the entire year. The production of 59 other items, including raw coal, petroleum, electricity, pig iron, steel, 10 nonferrous metals, synthetic rubber, plastics, cement, and plate glass, has reached the rate of progress set in this year's plan.

Responsible sources point out that, at present, development of China's industry requires that attention be paid to capacity. The structure of industrial enterprises and products must continue to be adjusted according to the needs of society, and an appropriate and normal production pace must be realistically achieved and maintained. In order to sustain continuous, steady, and coordinated development of the national economy, strenuous efforts must be made to control the production of goods for which supply exceeds demand; the steady development of the energy and raw materials industries must be maintained; the production of goods that meet market demand, such as light industrial and economic goods, small commodities, agricultural inputs, and products that earn foreign exchange, should be increased.

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NATIONAL POLICY AND ISSUES

CITY LINKS GIVE URBAN ECONOMY NEW VITALITY

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 8 Nov 85 p 2

[Article by Tong Dalin [4547 1129 2651] and Song Tingming [1345 1694 2494]: "Developing Horizontal Economic Links Is a Breakthrough in Urban Reforms"]

[Text] Reforms in China's cities have continuously advanced through experimentation and exploration. The most important task before us is to quicken the pace of reforms that place cities in the key position in the entire economic system. The experience of urban reforms in recent years proves that development of horizontal economic links is an important breakthrough in urban reforms. Especially this year, horizontal links between cities have been expanding, have already become a strong trend, and have brought a string of important changes to urban economic reforms. They have given the development of the urban economy new vitality and force and have opened a broad and promising future.

The Development of Horizontal Economic Links Is the Inevitable Result of Implementing Liberalizing Reforms

In the past, China's urban economy had an important defect in respect to the system of management. That is, a kind of closed insularity developed that was not compatible with the development of social production. It was a vertical system of management that was rigid and centered on administrative relationships.

To address the defect described above, we must resolutely open up the economy both domestically and internationally in the course of urban economic reforms. We must develop horizontal economic links, thoroughly removing the old management system that was vertical and closed and gradually establishing a new economic network that is horizontal and open, and which hastens the development of the urban economy.

Experience everywhere shows that the development of horizontal economic links is beneficial to the economic development of cities and enterprises for the following reasons:

1. The links can enable enterprises to completely cast off the fetters of administrative subordination, to break through the narrow confines of

ministerial and local ownership, and to become truly independent economic entities.

2. The links can enable enterprises to become truly responsible for their own profits or losses, to become self-operating producers of socialist commodities.

3. The links can guarantee the legal existence of enterprises.

4. Enterprises can obtain more power to direct their own reforms and expansion.

5. The links can help cities more completely fulfill their functions and advance the formation of different kinds, scales, and ranks of economic regions that depend upon central cities.

Strengthening Horizontal Links Is the Only Way To Develop the Socialist Commodity Economy.

Today, with the rapid development of the socialist commodity economy, those places that have done well in establishing horizontal economic links have increased the speed of their development and enjoyed good economic returns. This has already been proven by the experiences of the urban reforms of recent years. Beginning this year, every kind and form of horizontal economic link has developed rapidly; their scope, scale, and variety of form exceed those of any earlier period.

One dimension is the nationwide scope of the links and cooperation. China is a country with a vast territory and large population. Differences between localities in terms of social-historical conditions, economic and technical capabilities, economic and geographic environment, and natural resources are large. Economic development has been very uneven. For example, districts in the coastal region in east China have highly developed processing industries, but severely lack raw materials and energy resources. Districts in west China have abundant sources of raw materials and energy supplies, but do not have a developed industrial base. In the north, the heavy industrial base is well-established; in the south, textiles, electronics, and other new branches of industry are most developed. In order to thoroughly change this situation where "east is rich, west is poor" and "light industry is in the south, heavy industry is in the north," there is a pressing need for a strategy of using economic links that provide "east-west exchanges" and "north-south exchanges." The economic differences between the east and west regions, and between north and south, can be steadily reduced, thus hastening the coordinated development of the entire country.

A second dimension of the economic links is that of intra-regional links and cooperation. In recent years, the State Council has established the Shanghai Economic Zone, the Shanxi Economic Base, and the Planning Office of the Northeast Economic Zone. Under the urging of leading comrades on the CPC's Central Committee, five places--southwest Sichuan, Yunnan, Guizhou, Guangxi, and Chongqing--have convened conferences on economic cooperation that took up the

the subjects of liberalization and loosening of other topics. They have agreed on 1,500 cooperative economic and technical projects. Most recently, the large cities of Chongqing, Wuhan, Nanjing, and Shanghai have also agreed to commence joint development of the Chiang Jiang basin's economy, jointly developing transportation, communications, foreign trade, the flow of information, and other projects to help the development of the basin. This will gradually develop the role of China's largest river-basin economy.

A third dimension of the links is inter-urban links and cooperation. In recent years, following the development of the urban and rural commodity economies, the pace of urbanization in China has quickened, resulting in the gradual emergence of horizontally linked urban entities that are parts of networks and belts. Cooperative economic and technical units have been formed among these cities.

A fourth dimension of the links is urban-rural links and cooperation. Beginning in the spring of 1983, economically developed places implement a reform measure in which cities provide leadership to counties in order to quicken the unification of urban and rural economies. Horizontal links between city and countryside have developed rapidly. At present, throughout the country some 129 large or medium-sized cities have implemented the reform and have formed new entities to lead 571 counties. Liaoning and Jiangsu have basically implemented the cities-lead-counties program throughout the two provinces. In Sichuan, after 8 counties in the Yongchuan District were linked to Chongqing, the city added 368 runs of "Rural Night Coaches" to rural towns, greatly helping peasants come to the city to sell agricultural products, and benefiting urban residents as well.

A fifth dimension is inter-enterprise links and cooperation in the cities. In recent years, horizontal links between enterprises in the cities have taken a variety of forms. Some have been tight links, others relaxed. Some have been only for single projects; others have been comprehensive. Some have involved substantial companies; others have involved service organizations. At the same time, domestic enterprises have used joint investment measures, jointly contributing raw materials, plans, patterns, compensation trade, and other items to broaden economic and technical exchanges and cooperation with enterprises in foreign countries and in Hong Kong and Macao. Multi-enterprise units are now forming that use many channels, forms, and instances of horizontal enterprise links, and cross boundaries of province, region, departments, industries, forms of ownership, and even the nation. The joint economy has already become a new economic form that has burst forth in China.

It can be predicted that the forms of enterprise ownership and operations will break with the old conventions, creating a major change that is appropriate for the rapid development of society's productive forces.

The details described above show that China's socialist commercial economy has already entered a new development stage, in which a primarily vertical system of management is changing into a primarily horizontal joint system. The embryo of a network of horizontal economic links on a nationwide scale has already basically been formed.

Firmly Reform and Liberalize, Create Favorable Conditions for the Development of Horizontal Economic Links

The development of horizontal economic links has penetrated the past conditions of isolation, where land was divided up like animal pens, each placed closed and locked to the outside. The links have opened up a new, broad, free world for the development of the socialist commodity economy. However, due to traditional thinking and some corrupt practices found in the economic system, there are some regions, departments, cities, and enterprises that still insufficiently appreciate the importance and inevitability of the development of horizontal economic links and its conformity to natural law. Some new problems that still await solution have emerged from horizontal links. Therefore, we must further advance consciousness, firmly reform, open, and create the system, policy, and legal conditions that will foster the development of horizontal economic links.

The first measure to be undertaken is to regard the development of horizontal economic links as an important item in state economic and social development planning.

A second measure is to continue to carry out liberalizing reforms, further simplifying administration and expanding enterprise powers, separating administrative and enterprise responsibilities, reducing administrative interference, making it possible for enterprises to be truly unfettered and able to develop every variety of horizontal link.

A third measure is to further policies that encourage the active development of every form of horizontal economic link among departments, regions, cities, and enterprises.

A fourth measure is to legally protect the economic interests of cooperating units, further strengthening economic laws and judicial administration.

A fifth measure is to strengthen the organizational leadership in horizontal economic links, improving internal management in organizations engaged in economic linkage and increasing economic returns.

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NATIONAL POLICY AND ISSUES

JOURNAL EXAMINES SOCIALIST ECONOMIC RISK THEORY

Beijing JINGJI YANJIU in Chinese 20 Dec 85 pp 29-34

[Article by Wu Ming [0702 7686] of the Politics Teaching and Research Section of the National Defense Science and Technology University in September 1985: "Theory of Socialist Economic Risk"]

[Text] Economic risk is an objective economic phenomenon that are inevitable in a developed commodity economy. A socialist economy is a planned commodity economy, so it also carries economic risks, and has many practical economic issues requiring risk analysis.

I. Economic Risk Is an Inevitable Consequence of the Development of a Commodity Economy

Economic risk is a historical concept and a phenomenon characteristic of a commodity economy. Generally, it denotes a deviation of the actual income of a commodity producer from the expected income in the production and circulation of commodities owing to the impact of some factors that cannot be predicted, a deviation that gives rise to the possibility of losses for the commodity producer.

Only under the circumstances that a producer fixes a certain target of value for his production in accordance with a certain social demand, can the possibility for a deviation of the actual income from the expected income emerge in attaining the target, and can economic risk exist. In the natural economy of a primitive society, as commodity exchanges do not exist, producers cannot and need not measure the amount of socially necessary labor in their products; therefore, we cannot begin to talk about losses in the amount of value.

Economic risk should also be based on the premise that social production is divided up into production that is carried out by different owners. What we should study in issues of risk is the impact of the uncertainty in our future economic life on individual producers. This impact varies as producers or economic activities vary. This makes the study of economic risk a necessity. If risk is undertaken by the whole society, then we can assume that all members of the society undertake the same risks without any difference in the extent of the risks. Under these circumstances, the economic loss caused by

the uncertainty in future economic life is a normal social loss rather than the consequence of economic risk. Hence there is no such thing as economic risks in a communist commodity economy. Although the uncertainty in economic prospects still may have some impact, it is of no direct significance for producers as specific individuals.

Only in a commodity economy do the two conditions mentioned above simultaneously exist. Not only is production carried out by different producers, but among commodity producers, there is also a relation of exchanges based on a measurement of the amount of labor in their products. Here, the law of value unavoidably plays a role and requires that a commodity producer receives a payment equal to the amount put into his products. The role itself has created conditions for the emergence of economic risks. If because of a certain reason, a producer cannot fully realize the value of the labor that he has put in, he will inevitably suffer a loss in terms of his expected income. This possibility of losses exists for all commodity producers. However, as the contents of and conditions for the economic activities vary for commodity producers, so does the extent of possibility. Under these circumstances, we can say that a commodity producer undertakes certain economic risks for his own economic activities.

But, under the conditions of simple commodity production, the influence of economic risk is not clear. At that time, the products are relatively simple, the scope of exchanges is relatively small, the changes in products and technology are relatively slow, and it is easy for producers to be sure of the expected income. At the same time, because the production scale is generally relatively small, losses suffered by an individual commodity producer have very slight impact on the production of the whole society, and there is not much difference in the degree of risk assumed by different producers. Thus, in analyzing a simple commodity economy, economic risks are not important enough to draw people's attention. As a commodity economy develops, this situation also changes. The scale of production continues to expand, products become increasingly complicated, and the scope of commodity exchanges becomes increasingly broader. The increasingly intensive social division of labor brought about by socialized mass production has increasingly expanded the scope of commodity exchanges and lengthened the chain of production. As a result, a change in any link of the production process may often cause violent economic turbulence. As wave after wave of technological revolution surges, as there are too many generations of new products to keep up with, and as the composition of social demands undergoes rapid changes, the prospects of social economy become very complicated. Although great strides have been made in means of forecast and methods of analysis, uncertainties in economic life have steadily increased. In a highly developed commodity economy, economic risk has already become a fact that we must acknowledge.

When Marx analyzed the emergence of the average profit rate in a capitalist society, he pointed out that as capital moves between different production sectors, commodities were not sold according to value but according to price, causing profit obtained from the capital of different organic composition to deviate from the surplus value that it brought about, and throughout the

society an average profit rate emerged based on the profit rate of a medium composition of capital. The law of average profit is not a negation of the law of value, but a form of its manifestation. In view of the whole society, the total value and total production prices are equal and so are total surplus value and total profits. This analysis of Marx's left out the factor of risks in his abstraction. In other words, he assumed that all production sections in a society undertook the same degree of risks; therefore, the movement of capital was only affected by the profit rate and not by the factor of risks. Under these circumstances, a situation of an equal amount of capital getting an equal amount of profit will ultimately emerge. Judging by the objectives and requirements of the questions that Marx analyzed, this abstraction was entirely reasonable. When he was analyzing the concepts of profit and average profit, the major question that he had to answer was how to expound on the sources and essence of profits on the basis of the theory of the value of labor and the theory of surplus labor, and thus more deeply reveal the relations of exploitation in a capitalist society. But the key to answering this question is to expound on the question of why capital of different organic composition gets the same rate of profit. Obviously, in such case, if we take into consideration the factor of risks, it will not only be of much help in resolving the major problem but also will make the analysis more complicated and blur the clues of the theory.

In real life however, the degree of risk for different sections is not entirely equal. The movement of capital and the rate of profit will necessarily be affected by the factor of risk. Especially over the past few years, because of the impact of the new technological revolution, in capitalist countries, quite a few high risk sections have emerged, into which ordinary capital will not easily move, and which can therefore maintain a fairly steady and relatively high profit rate. Western economists often regard as risk industries the industries of high technology that are engaged in the development of new products. The capital invested in these industries is called risk capital. As risk capital assumes relatively greater risks, it can expect a relatively higher profit rate. Facts have proven that small enterprises engaged in risk investment can often develop into super enterprises with turnover of several hundred million or even several billion U.S. dollars in a few years. For example, the well known U.S. companies such as the Hewlett-Packard Company, the Data General Corporation, and Varian Associates Corporation have been developed in this manner. But on the other hand, a fairly large portion of risk capital does not earn a high profit, but instead a profit lower than the social average, and some of it even fails to recover the investment. From this we can see that the high profits of a portion of risk capital are premised on low profits or losses of another portion of risk capital. From the point of view of the whole society, this high profit still comes from the surplus value created by wage earners (including engineering and technical workers and management personnel), not from the phenomenon of economic risk itself. The functions of the law of value have not disappeared, but are manifested in a special form. If we say that the law of average profit makes different profit rates tend to approach an average value, then the factor of risks has a differentiating impact on profit rates and causes a large variety

of profit rates to coexist. The complicated nature of the operation of social economy is thus displayed in the interaction of various opposing forces.

II. Economic Risk in Socialist Commodity Production

Since a socialist economy remains a commodity economy, economic risks must exist in it. The existence of socialist economic risks is first of all due to uncertainties still existing in socialist economic life, disparity between people's expectation of the economic prospects and the actual development of economy, and unexpected changes which often cause wide fluctuation in economic life and have strong impact on economic development. It is impractical to think that a socialist economy can operate along a course accurately planned beforehand. Second, in a real socialist society, there are diverse forms of economies and production is carried out by different owners of the means of production. Hence, any change in the economic life at first always has impact only on some specific economic entities. The practice of our country's economic structural reform shows that once the state's monopoly over and centralized care of enterprises are eliminated, our enterprises will immediately face the test of many economic risks, and display their capacity to assume risks and apply various means to reduce the impact of those risks. Third, there are socialist economic risks because a socialist economy is a developed commodity economy and is a commodity economy that continues to develop in breadth and depth. The full development of a commodity economy is characterized by continuous development of new technology and continuous introduction of new generations of products. Under these circumstances, past experience is not sufficient to provide an accurate guide for modern production; the uncertainty of future economic life is thus heightened and the impact of economic risks becomes increasingly substantial. In an under-developed commodity economy, production mainly relies on past experience; the impact of economic risks is very small. In the past, our country overlooked socialist commodity production and its commodity economy was very under-developed. This inevitably caused a failure to heed the issue of economic risk. As people renew their understanding of commodity economy in practice, they will inevitably attach importance to making theoretical research to economic risk.

According to the above analysis, we can hold that socialist economic risk is an objective economic phenomenon that has emerged under socialist economic conditions. It denotes the possibility in socialist economic life that economic entities may suffer losses in conducting normal economic activities owing to uncertainties in economic prospects.

Socialist economic risks can be classified into natural risks, social risks, and management risks in terms of causes. Natural risks are risks caused by natural factors such as lightning, fire, flood, and earthquake; social risks are risks caused by the social activities of people as individuals or in groups, such as theft, robbery, accidents, wars, and political turbulence; and management risks are risks caused by administration, management, market supply and demand relations, and other factors in the production and marketing of commodities. Here the classification of the natural, social, and management

risks is made in terms of cause. From an economic point of view, all three categories are possibilities that cause economic losses to those who assume risks without taking into consideration losses in other spheres; therefore, they are economic risks.

Since causes for risks vary, economic risks can also be divided into insurable and uninsurable risks. Insurable risks are mainly those caused by natural disasters and accidents. On the basis of historical statistical data, people can calculate the probability of these risks, estimate the average value of the economic losses they may cause, and thus turn uncertainty into certainty. People can establish a series of insurance systems to spread the huge losses of the risks. Uninsurable risks mainly denote the economic risk arising from administration, management, and changes in the supply and demand relations in the market. It is difficult to estimate economic losses that may be caused by this kind of risk; therefore, these losses cannot be prevented by an insurance system.

In terms of the different stages of production processes, there are the following three mutually linked yet different aspects in socialist economic risks: 1. Investment risks. Those that investors undertake when investing in a project. There are many opportunities of investment in a socialist economy, but the degree of risk differs in different investments. If an investor behaves as a relatively independent economic entity, it must shoulder the responsibility for the expected benefit of its investment. This will compel it to consider the issue of investment risks and make choices in the face of many investment opportunities. 2. Production risks. Those that a producer assumes in producing some products (including visible and invisible products). Generally speaking, one has to assume risk in producing any product. Once funds are funnelled into a production process, the question of whether the funds invested can be recovered and some profit earned is entirely determined by whether or not the products can be produced in accordance with predetermined targets. In fact, owing to the impact of factors such as environment, technology, management, and even the social and political situation, it is uncertain whether products can be produced in accordance with the predetermined targets. The impact of production risks on the production of new types of product is particularly evident. 3. Marketing risks. Risks that those who market and sell goods undertake when they are engaged in marketing and selling goods. Because a socialist economy is a planned commodity economy, a product realizes its value mainly through exchanges in the market as a commodity. In a developed commodity economy, market conditions change in a myriad of ways and demand for a certain kind of commodities is by no means fixed and unchanging. When there is a sharp reduction in the demand for certain kinds of commodities, not only commodity producers, but also commodity sellers, will suffer losses. The latter will suffer losses more directly than the former.

Socialist economic risks can be classified into high, medium, and low risks. The intensity is determined by two factors: 1) the extent of complication of economic prospects; and 2) the amount of losses of funds that may be incurred. These two factors are determined by the nature of the products, the production

scale, the technological conditions and the ability to forecast economic prospects. For example, the production of technological products is generally highly risky; at present, the production of our armament industry can be regarded as low risk; and the production of ordinary material and nonmaterial commodities that are of a relatively fixed type and for which the demand is relatively stable, is mostly medium-level risk.

Socialist economic risks themselves play a negative role, but when people understand them in theory, they can use certain regulatory means to transform their negative role into a positive one. The most important regulatory means is to give economic compensation to those who assume the economic risk and enable them to get relatively high income. Generally speaking, the greater the economic risk the greater the chance to incur losses, but the greater the income to expect; conversely, the lower the economic risk, the smaller the chance to incur losses, but the smaller the income to expect. This disparity in expected income can attract social funds into high risk production sectors and thus promote a more rational distribution of social resources, and avoid the situation of highly risky production sectors lacking funds and other sectors having excessive funds. In a sense, we can say that highly risky production sectors play an even more prominent role in the development of the economy of the whole society. Often, these production sectors are new types of industries--those that are called "promising industries." They represent the orientation of social economic development and guide the development of social productive forces. Enabling highly risky sectors to get high income will therefore attract a portion of social funds to open up new avenues and develop new products. This will be extremely conducive to developing our socialist economy at a rapid pace.

Socialist economic risks differ from capitalist economic risks in the following ways:

First, the risk-bearers differ. Under capitalist conditions, the risk-bearers are in the main capitalists. Capitalists embody capital and are the actual decisionmakers in the activities of investment, production, and sales. They not only receive income from risks, but assume losses as well. Wage earners are also influenced by economic risks, but do not directly bear economic risks. Therefore, they are not very concerned about the management of their enterprises. Under socialist conditions, economic activities are conducted by different socialist economic entities. In all our production units, laborers enjoy the status of masters of the units and are the principal undertakers of all economic activities. They jointly assume the economic risks of their units. Income and losses from economic risks are directly related to their material interests.

Second, the economic risks differ in degree of results. In a capitalist society, private ownership has divided up the whole national economy into various capitalist enterprises which have conflicting interests. As a result, social production is in anarchy and it is impossible for there to be a unified plan to guide the operation of the economy on the scope of the whole society. Therefore, there is a fairly large degree of blindness in the management

activities of capitalists as individuals, a relative uncertainty of economic prospects, and a greater consequence of economic risks. A socialist society is established on the basis of public ownership of means of production. The fundamental interests of all enterprises there in carrying out their economic activities coincide. This makes it possible for people to formulate unified plans to guide, regulate, and manage the operation of the economy on the scope of the whole society, to make relatively accurate analysis and forecasts of the future economic life in totality, and to reduce as much as possible the influence of the factor of uncertainty. Hence under socialist conditions, the consequence of economic risks is relatively smaller in terms of the same kind of economic activities in a capitalist society.

Third, the nature of income from economic risks differs. From the point of view of form, this income is profit in both capitalist and socialist societies, but capitalist profits differ in essence from socialist ones. Capitalist profits are a form of surplus value and reflect the relationship of exploitation between capital and labor. The essence of capitalist profits determines that capitalists have no scruples in adopting any means to avoid losses from risks and maximize income from risks at the expense of other people and at the expense of the interests of the society as a whole. Socialist profits are the balance of the new value created by laborers after deducting wages paid to them. These profits are the value of surplus products in the form of money. They do not reflect a relationship of exploitation. The basic aim of socialist production is not to pursue maximum profits but to satisfy the material and cultural demands of all the members of society and the production collectives of laborers. Therefore, fundamentally speaking, socialist profits are sources for social accumulation and for expanded reproduction and are a material guarantee for the improvement of people's social welfare. The nature of socialist profits determines that those who bear economic risks must regard the interests of the society as a prerequisite to earning risk income and should not harm others or harm the public to benefit oneself.

Finally, the scope of the existence of economic risks differs. Under capitalist conditions, this scope is very large. Capital must assume some economic risk no matter whether it is invested in the operation of a casino or a brothel or in various kinds of speculative activities, and it may also thus earn some income from the risk. Under socialist conditions, economic risks and the income from economic risks can only exist in normal economic activities. People must undertake very big "risks" in carrying out some economic activities, but this is not what we mean by socialist economic risks. For example, at present quite a few units or individuals have adopted illegal methods to earn windfall profits by reselling materials and goods on which a state planned control is imposed, such as automobiles and rolled steel. We cannot say that the "risks" are not great in conducting these activities; for once these activities are discovered, the goods may be confiscated. Neither can we say that the income from these activities is not high if they succeed. Nonetheless, this is illegal income and can never be confused with reasonable income from economic risks.

III. Practical Significance in Researching Socialist Economic Risks

Practice often develops ahead of theory. This is also the case in the development of the theory on socialist economic risks. In our country's practice of economic structural reform, many new situations and problems have emerged thus broaching objective demands for research into socialist economic risks.

First, in our socialist construction, problems such as low economic results of investment, unreasonable utilization of funds, and what people call the "investment thirst syndrome" are very common. All these problems are to some extent due to our neglect of the problems of economic risk in theory.

In our country, investment decisionmakers are government or enterprise leaders, but they do not undertake economic responsibility for the success or failure of the investment projects. In other words, they are only in charge of the investment but bear no investment risk. This will inevitably encourage them to attempt every means to carry out a larger number of projects and expand the investment scale in their areas, departments, or enterprises in disregard of the economic results of investments. Although there are diverse reasons for the emergence of these phenomena, from a theoretical point of view, our long-standing neglect of the issues of economic risk is also one of the reasons. Problems related to economic risks are excluded from the scope of socialist political economy studies, forming an unwritten traditional concept that a socialist economy is a 100 percent pure economic mode in which everything is planned satisfactorily beforehand and in which there is no economic risk. Starting from this concept, it is natural for people to regard all investment activities as efforts that serve socialist construction. The simple formula that investment equals socialist construction has become so deep-rooted in many minds that people never had any idea about investment risks. Actually no matter whether people admit it or not, investment risk plays its role just the same. For example, because of backward production technology, the economic results of some investment projects have been lower than the social average for a long time; and because of the failure to do adequate work in forecasting the economic prospects, some investment projects cannot even recover the funds invested. Under a highly centralized economic system, however, economic risks are assumed by the state and the state in turn performs its economic functions on behalf of the whole society. As we have mentioned before, if an economic risk is to be shouldered by the whole society, it cannot even be regarded as a risk, with the result that people cannot personally feel the existence of economic risks. This is an objective reason why people can give no consideration to investment risks. From this we can see that expounding in theory on the nature, content, and role of socialist economic risks and ensuring in practice that the responsibility for economic risks is borne by various economic entities are of certain significance in urging people to rationally utilize funds with restraint and raise the economic results of investment.

Second, economic risks have a great bearing on the production and pricing of technological commodities.

As we reform our country's scientific and technological system, the emergence of a technological market and the commercialization of technology have already become inevitable trends. We know that the value and price of a commodity are determined by the amount of socially necessary labor used in producing this commodity and its price fluctuates around its value. But it is very difficult to explain the prices of technological commodities by this theory. In real life, the prices of some technological commodities can far exceed the labor that has been used in producing them. What's more, the labor used in producing a commodity of that kind constitutes only a negligible portion of its price. It is exactly the reverse for some technological commodities; their prices simply cannot be compared with the huge production costs incurred to produce them. At the same time, as each kind of technological commodity is a unique project, the prices of different kinds of commodities are uncomparable; therefore, the idea of prices fluctuating around value is not applicable. To give an all-round explanation about the problems related to the prices of technological commodities, I believe it is necessary to include the analysis of economic risks in our theory, break the traditional idea of socialist price theory that "production costs plus average profit" is the basis for fixing the prices of commodities, and regard it as imperative to consider the impact of economic risks in fixing the prices of technological commodities.

The production of technological commodities is a highly risky business. The production processes themselves are processes of exploration. It is very difficult to produce these products accurately and without mistakes in accordance with the plans, steps, and targets that are decided beforehand. It is extremely uncertain whether or not the products will be successfully produced, whether or not their costs will exceed the expected costs, and whether or not the products will be accepted by the society. Moreover, the production of a technological commodity is a one-time process. When the producer finds after the production process that his income is less than his costs, he cannot readjust his production processes as ordinary commodity producers usually do. Therefore, technological commodity producers bear much greater risks than ordinary commodity producers. In a socialist commodity economy, to promote the continuous emergence of new technology and invention, we must economically encourage technological commodity producers, properly increase the prices of technological commodities and enable technological commodity producers to earn a profit at a rate higher than the social average to compensate for the risks that they bear. In technological commodity trade fairs, we often hear people say that certain technological commodities are offered at excessively high prices. But do they ever give any consideration to the "cause"--that high prices are due to the risks in technological commodity production?

Third, it is also necessary to analyze the risk concerning the income from the shares in socialist share companies brought on by the rise of these companies.

Share companies are characterized by raising funds through issuing shares. By holding shares, a shareholder can obtain the dividend and bonus dividend paid by the share company. In essence, both the issuance of shares and the

attracting of bank deposits are methods to raise socialist funds and to turn idle funds in the society into production funds. Why then is income from shares higher than interest income from bank deposits? This involves the issue of economic risks. Bank deposits in our country can be regarded as entirely riskfree (excluding the factor of inflation), and their interest income is entirely guaranteed. However, income from shares is uncertain. Although the rate of dividend on a share is fixed, there is no guarantee of a dividend every year. If the company suffers a loss in its operation, the dividend for the year will be delayed and will not be paid until the operation has improved. The payment of bonus dividends is entirely determined by the earning of the operation. From this we can see that the possibility for shareholders not being paid their dividend is relatively strong. Because a share purchaser has to undertake certain economic risks, in ordinary circumstances, his income necessarily should be higher than interest from bank deposits.

In addition to the demands mentioned above, risk analysis is also indispensable for quite a few practical economic problems: for example, the establishment of socialist investment theory, the development of socialist insurance industry, the implementation of the socialist patent law, and the establishment of socialist enterprise bankruptcy law. In short, acknowledging and expounding on the issues of socialist economic risks is of positive significance both in theory and practice.

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NATIONAL POLICY AND ISSUES

BRIEFS

PRIVATE BUSINESSES BOOMING--Beijing, 22 Feb (XINHUA)--Private businesses are mushrooming during the current national economic reform, according to statistics provided by the State Administration for Industry and Commerce today. The administration said there were 11.7 million private businesses last year, up 26 percent over 1984. These businesses employed 17.6 million people, up 35 percent over 1984. Leading the increases were private transportation and construction enterprises, which jumped 68 percent over the year. Administration economists said while these sectors are growing satisfactorily, others such as food service are still failing to meet demand. For example, they said that in Beijing, with more than 5 million urban residents, there are only 5,000 individual restaurants and snack bars, and the shortage frequently makes it difficult for people to eat out.
[Text] [Beijing XINHUA in English 1437 GMT 22 Feb 86] /9604

CSO: 4020/232

ECONOMIC MANAGEMENT

CHINA'S TOWNSHIP, TOWN ENTERPRISES MAKE RAPID PROGRESS

Beijing NONGMIN RIBAO in Chinese 27 Dec 85 p 1

[Article by Wu Xiulong [0702 4423 7893]: "China's Township and Town Enterprises Make Breakthrough Progress, This Year's Total Output Value Is Expected To Reach More Than 230 Billion Yuan; They Have Become an Important Component of the National Economy and the Mainstay of Stable Agricultural Development"]

[Text] China's township and town enterprises made breakthrough progress during the Sixth 5-Year Plan period. According to statistics compiled by departments concerned, the total output value of township and town enterprises throughout China rose from 72 billion yuan in 1980 to 170.9 billion yuan in 1984, which was equivalent to the output value of the total product of society in the whole country in 1964. The increase was more than double in 4 years at a rate of a 26-percent increase per year, of which, the GVI0 jumped from 57.3 billion yuan in 1980 to 125.4 billion yuan in 1984, which was equivalent to China's GVI0 in 1966, increasing at the rate of 23 percent per year. Economic results also improved steadily. The per capita output value of enterprises at the township and village level rose from 2,167 yuan in 1980 to 4,042 yuan in 1984 and the per capita tax for profit created jumped from 480 to 540 yuan. The township and town enterprises made steady and rapid progress this year, their total output value is expected to reach more than 230 billion yuan, an increase of 35 percent over last year, the amount of tax deliverable to the state will come to 12 billion yuan.

The rapid development of township and town enterprises is one of the great achievements of the rural reform.

First, the development of the township and town enterprises has changed the unitary rural economic structure, thereby advancing the readjustment of overall rural economy. The output value of these enterprises in 1984 accounted for 34 percent of the output value of the total product of rural society. The proportion of the GVAO in the output value of the total product of rural society dropped from 74.2 percent in 1980 to 66.1 percent in 1984; the output value of the secondary and tertiary industries rose from 24 and 1.8 percent, respectively, in 1980 to 30.2 and 3.7 percent in 1984. Profound

changes also took place in the rural employment structure. More than 52 million people were employed in these enterprises in 1984. It is estimated that another more than 10 million people will be added to the employment ranks this year.

Second, while developing themselves, the township and town enterprises adopted such measures as "supplementing agriculture with industry" and "promoting industry with agriculture" to effectively support agricultural production and increase the peasants' income. During the first 4 years of the Sixth 5-Year Plan, these enterprises provided 5.1 billion yuan in funds for agriculture. This figure was equal to 300 percent of the capital construction investment in agriculture, animal husbandry, and fishery furnished by state revenues for the same period; township and town enterprises also extensively developed various services involving before and after production processing centered on agricultural production, such as processing, storage, and transportation of farm produce and sideline products, thereby transforming agriculture toward a large-scale commodity economy. Furthermore, these enterprises are an important way for the peasants to increase their income. During the first 4 years of the Sixth 5-Year Plan, the peasants earned 76.5 billion yuan distributed by these enterprises, averaging 27 yuan per person a year and accounting for 54 percent of the peasants' averaged increased income a year.

Third, the development of township and town enterprises not only increased state financial revenues but also alleviated the state's financial burden in the countryside. During the first 4 years of the Sixth 5-Year Plan, these enterprises delivered 22.8 billion yuan in taxes to the state at an average annual growth rate of 37 percent; from 20 to 30 percent of after-tax profits each year was being used for rural cultural, educational, public health, and other public welfare projects, and township and village administrative expenses at an accumulated total of 15.8 billion yuan in the last 5 years.

Fourth, the development of township and town enterprises also brought about ongoing changes in the layout of China's conventional industries and established new-type urban and rural relations. In recent years, these enterprises have made inroads into the cities by exporting labor service and in the form of repair service. In 1984, more than 5.8 million workers and staff members of township and town building industries entered the cities; in the meantime, funds, equipment, and technology of urban industries also shifted toward the countryside. In 1984, the output value of township and town enterprises accounted for 17.8 percent of China's GVIO. Some of the products also accounted for a considerable proportion among similar professions and trades throughout the country, for example clothing output accounted for approximately one-half and the output value of building materials accounted for 53 percent in the country. The past pattern of urban-rural barriers were broken down as a result of the rapid development of township and town enterprises, a new-type relationship integrating urban with rural areas and industry with agriculture to infiltrate and promote each other is taking shape. At the same time, many new-type rural market towns have sprung up vigorously. At present, there are more than 6,600 rural market towns throughout the country, an increase of more than 4,000 over 1980.

ECONOMIC MANAGEMENT

ANHUI'S TOWNSHIP, TOWN ENTERPRISES MAKE BREAKTHROUGH

Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 28 Dec 85 p 1

[Article by Gu He [6253 7729]: "Anhui's Township and Town Enterprises Score Breakthrough in Five Areas This Year by Concentrating on Improving Economic Results and Giving Priority to Household-Run and Jointly Operated Enterprises"]

[Text] Anhui Province's township and town enterprises have made a new breakthrough in five areas this year by giving priority to household-run and jointly operated enterprises, concentrating on improving economic results and upholding the orientation of development by basing themselves on agriculture and serving it.

1. A new breakthrough in developing household-run and joint household-operated enterprises. By the end of November, the number of Anhui's household-run and joint household-operated enterprises increased from more than 363,000 last year to more than 790,000 with an output value of 3.5 billion yuan, which was more than double that of the same period last year, and the proportion of their output value in township and town enterprises rose from 30 percent last year to 44 percent. Township and town enterprises in some poor mountainous areas also developed rapidly by running household-run and joint household-operated enterprises. In places where the household-run and joint household-operated enterprises had an early start, one or several products are now being produced in a village or a township thereby gaining the upper hand in mass production by linking different areas together and enhancing competitiveness.

2. A new breakthrough in developing and utilizing resources by seizing upon "agriculture." Various localities have persisted in following the road of "growing, breeding, and processing" and based themselves on agriculture and serving it. Giving priority to effective processing of farm produce has become the backbone force of township and town enterprises, which stimulated fairly rapid development of those processing industries centered around farm produce and sideline products, forestry and animal husbandry products, and native and specialty products. The output value from processing farm produce this year in Fuyang and Huizhou prefectures rose from 13 percent last year to about 20 percent, respectively, in relation

to the output value of the township and town enterprises. Considerable progress has also been made in the meantime in the development and utilization of resources. It is estimated that by the end of this year, Anhui's coal output will reach 2.5 million tons, and cement output will reach 2 million tons, more than doubling and increasing more than 300 percent, respectively, over last year; marble output is expected to reach 35,000 cubic meters, an increase of 70 percent over last year.

3. A new breakthrough in organizing the shift of labor force and in the development of tertiary industry. At present, 580,000 peasants in Anhui Province are engaged in commerce, catering and service trades, and transport business with their share of the total number of workers and staff members in the rural and township enterprises rising from 17 percent last year to 20 percent. It is estimated that by the end of this year the output value of township and town tertiary industry will reach 1.83 billion yuan, accounting for approximately 20 percent of the gross output value of township and town enterprises, more than doubling that of last year. More than 1.3 million peasants in Anhui Province have settled down in small market towns and run businesses and operate factories there. The peasants in the suburban districts in particular have energetically organized commerce and catering and service trades by taking advantage of the labor force there, thereby gradually becoming a crack force in tertiary industry in the cities and a dominant force in competing with state enterprises.

4. A new breakthrough in strengthening lateral relations and in spreading urban industrial products toward township and town enterprises. With the strengthening of lateral-relations, an industrial ring with the cities leading the townships and the townships supplementing the cities is gradually being established throughout the province. The province now has more than 2,400 projects of coordinated operations between township and town enterprises and establishments both inside and outside the province, drawing in more than 90 million yuan in funds. The output value of proliferated products has increased from 40 to 50 million yuan in the past to more than 300 million yuan. More than 2,000 of these enterprises have gradually developed into satellite factories of urban industrial enterprises with part of the raw materials and the marketing of their products now being included in state planning.

5. A new breakthrough in the work of importing, developing, and training personnel. Anhui Province has imported somewhat more than 3,400 qualified personnel this year through multiple channels and trained nearly 50,000 persons of various categories on different occasions. Besides training nearly 3,000 factory directors, managers and accounting and statistical personnel in an organized way, the province has also sponsored three training classes for leading cadres above the county and bureau level, thereby improving the quality of personnel in enterprises and managerial departments to develop township and town enterprises faster and even better.

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FINANCE AND BANKING

BANK OF CHINA'S NEW RESPONSIBILITY

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese 4 Oct 85 pp 29-30

[Article by Director Wang Deyan [3769 1795 5888] of the Bank of China:
"Face the World and Serve the Four Modernizations; Bank of China Confronts
New Historic Mission"]

[Text] The Bank of China is China's foreign exchange bank. It manages China's foreign reserves, handles international receipts and expenditures, aids foreign trade development and engages in many other aspects of international finance. By diligently performing its professional duties, it has won itself an excellent reputation in international circles. Currently, the Bank of China is an important window to the world and by implementing the open door policy it is shouldering a historic mission growing in importance by the day.

In order to facilitate the open door policy, the State Council decided in March of 1979 to declare the Bank of China an economic entity directly under the jurisdiction of the State Council. In the 6 years since, the Bank of China has worked within the guidelines of the financial policy of the nation and party by actively raising and utilizing foreign reserve funds to support national projects and technological transformation. The economic benefits are obvious as innumerable industries are expanding. From the end of 1978 until the end of 1984, the Bank of China's total funds increased from 38.7 billion RMB to 200.3 billion RMB. Domestically, offices increased from 58 to 261 and employees from 4,000 to 16,000. Overseas organizations belonging to the Bank of China and the Bank of China Group increased from 184 to 286, and employees increased from 6,000 to 10,000. By the end of last year, overseas agents for the Bank of China grew to 3,301 branches of 1,185 banking institutions in 150 countries. From its traditional international accounting services, the Bank of China has developed into a major commercial bank, also offering investment management, leasing, credit and advisory services as well as a multitude of other foreign exchange bank services.

What kind of historic mission will the Bank of China be confronting as China begins the Seventh 5-Year Plan next year? It can summarized in a sentence: "Face the world and serve the four modernizations." With this in mind, the Bank of China will increasingly stress the following three functions:

The first is to raise foreign exchange. According to the national plan, while we manage our foreign reserves, adequate foreign exchange must be raised on international money markets for investment in the four modernizations. The Bank of China now maintains regular monetary transfer relations with 220 banks worldwide, thus allowing funds to be transferred whenever necessary. This kind of close professional relationship is a dependable foundation on which to raise foreign exchange. Over the last several years the Bank of China has signed several credit agreements worth nearly \$10 billion. In the last 2 years our bank, along with Japan and West Germany, has issued three sets of public bonds. As the four modernizations proceed, our foreign exchange needs will greatly exceed their present level, so that the task of raising foreign exchange will steadily increase in importance for the Bank of China. Actually the Bank of China is considered to have excellent credentials for raising money on international markets. This is because during its long history, the Bank of China has enjoyed a fine reputation; it also has a core of talented specialists and has many years of fund-raising experience. The organizational network is extensive, its communications channels are broad, and it also understands the situation on international financial markets. The Bank of China will actively enter international financial markets. The Bank of China will actively enter international money markets to raise foreign exchange for the nation. We will diligently complete this honorable mission.

The second function is as a go-between in opening economic relations with other nations and as a promoter of cooperative efforts. The Bank of China has good overseas communications lines, its contacts are broad and its overseas branches have innumerable commercial clients. When foreign representatives arrive, we are consequently quite familiar with their business affairs and thus can introduce the better ones to domestic enterprises for cooperative efforts. By letting the Bank of China act as a go-between, apprehension on both sides will be diminished and confidence in cooperation strengthened. Furthermore, it will be easier for both parties to obtain financial aid from the Bank of China. The Bank of China can also utilize its experience and knowledge of international relations to offer advisory services for joint efforts. To meet the needs of our development, in recent years the Bank of China has stressed contact with foreign banks and businesses to encourage investment partnerships for domestic enterprises, the formation of joint investment groups or joint capital enterprises. Examples of these are the Shanghai People's Automobile Corp., the Ping Shuo An Tai Bao Lu Tiancoal mine, and the China Worldwide Leasing Corp. In the next several years the Bank of China plans to cooperate extensively with even more friends in the international financial and business world. The form of this cooperation will vary greatly, from continuing joint investment efforts inside of China, to joint ventures in other countries as well as joint resource and industrial development projects. The Bank of China is actively searching out new avenues for cooperation with all enthusiastic friends of the China market. We willingly stake our reputation on the promotion of joint capital undertakings.

The third function is as a domestic information linchpin. To fully open up toward the world and advance the four modernizations, many foreign and domestic organizations and businesses urgently need information to comprehend both domestic and foreign economic, trade, and financial trends. The Bank of China is the nation's only integrated economic department able to furnish a broad range of information, including credit ratings for both foreign and domestic clients, situations on financial markets, interest-rate trends for various currencies, the ins and outs of international investment, etc. Currently, the bank's branches and agents in London, New York, Hong Kong, Tokyo, and Paris have created special information sections or hired information specialists and we have signed trust and advisory agreements with more than 40 foreign banks. The Bank of China is selecting a group of large foreign banks to be information contacts for us in America, Japan, the FRG, England, Italy, France, Canada, Switzerland, Hong Kong, and other countries. They will provide us with the necessary information at all times. We welcome all foreign and domestic customers to fully utilize the Bank of China's information network: We will provide you with excellent service.

To bring to fruition the three functions mentioned above, in the next several years the Bank of China will expand its organizational network in the major financial and trade centers. We will also accelerate the training of specialists and will continue expanding and improving the quality of our professional services. We will also do all we can to make the Bank of China a modern, professionally managed national foreign exchange bank that can face the world and serve the four modernizations. This is the historic mission confronting the Bank of China and we will make every effort to fulfill this mission.

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INDUSTRY

FOOD, GARMENTS, CONSUMER GOODS 'TOP PRIORITIES'

OW031933 Beijing XINHUA in English 1559 GMT 3 Mar 86

[Text] Beijing, March 3 (XINHUA)--Production of consumer goods and other products of light industry will increase at an average annual rate of eight percent through 1990, a senior official said today.

Vice-Minister Wang Wenzhe of light industry said "food, garments and consumer durables are the top priorities" in the ministry's current Five-Year Plan.

Speaking at a national conference here on light industry production, Wang said the three priorities would constitute more than half of all light industry production by 1990, up from 40 percent in 1980.

Wang predicted that the total output value of the enterprises under his ministry would reach 231 billion yuan by the end of 1990, a 47 percent increase over 1985 and 146 percent over 1980.

But, he said, "while developing the size of our industries' output, we must pay attention to quality."

For example, he said, by 1990 the quality of China's three leading bicycles--"Phoenix," "Forever" and "Flying Pigeon"--"should be as good as the British Raleigh."

And, he said, "people should be able to expect their refrigerators to last eight years rather than the current four or five."

Wang said he expected 1,000 new products to be developed during the plan period "to meet growing demand."

/12858
CSO: 4020/235

INDUSTRY

PETROCHEMICAL INDUSTRY REORGANIZED

Beijing BAN YUE TAN [SEMIMONTHLY TALKS] in Chinese 10 Oct 85 pp 42-43

[Article by Zhong Shiyan [6988 1395 6056]: "China's Soaring Petrochemical Industry in Reform"]

[Text] The petrochemical industries in a number of developed countries around the world went through a period of great prosperity in the 1960's but have now fallen on hard times. China's petrochemical industry, however, has prospects as bright as the shimmering morning sun. It is currently following a soaring route of reform, new openings, and development.

People cannot forget that in the dark period of old China, the nation's expansive lands were a market that was a dumping ground for "foreign oil." China's own petrochemical industry was nonexistent. After the establishment of new China, China's petrochemical industry was guided by the CPC. Now, after 35 years of difficult struggles, the industry has gone from nothing to something, from small to large. Continuous development and improvement has produced a fairly complete industrial system that includes refining, petrochemicals, synthetic fibers, and chemical fertilizers. The industry has made a definite contribution to socialist construction in China. In February 1983, the CPC Central Committee and the State Council approved the establishment of the China Petrochemical Corp., in order to improve the use of petroleum resources, to change the former system of uncoordinated management, to improve multipurpose utilization, to increase the degree of processing, and to obtain better economic returns. The establishment of this corporation not only is a major event in China's economic reforms, it also indicates that China's petrochemical industry has entered a new period of development.

The China Petrochemical Corp. now has more than 40 large-scale production and construction enterprises. More than 10 enterprises are run by colleges, institutes, or schools, and have a relatively solid economic and technical foundation. Since establishment of the China Petrochemical Corp. it has firmly adhered to the policy of "reform, new openings, and development," and has emphasized the improvement of economic returns. By striving to advance reforms on all fronts and quicken the pace of development in petrochemical production and construction, the corporation in 1984 produced total industrial value of 27,437,000,000 yuan, an increase of 9.7 percent over

1983. Taxes and profits were 11.84 billion yuan, an increase of 19 percent over 1983. It fulfilled a year early the goal that originally had been set for 1985, of reaching the "top rank." Seven key state construction projects, including the three 300,000-ton ethylene projects at Daqing, Qilu, and Yangzi, and the 200,000-ton synthetic ammonia projects at Zhenhai and Urumqi, have progressed comparatively quickly. In October of last year, the State Council also approved a "Program of Further Reforms and Increase of Economic Returns" for the Petrochemical Corp. This program has projections up to 1990, when the corporation's total industrial output, production of primary products, sales revenue, and taxes and profits all will be double the levels of 1980. In 1990, China's petrochemical industry will show a new face to the world's petrochemical industry.

As of this year, petrochemical production has continued to maintain continuous, steady, and coordinated development. In the first half of the year, total industrial output value was 15.1 billion yuan, an increase of 12.9 percent over the same period in the previous year; 6.76 billion yuan in taxes and profits were realized, an increase of 19.4 percent over the same period in the previous year; 5.31 billion yuan in taxes were turned over, an increase of 14.8 percent over the same period the previous year. If these trends continue, the total in taxes and profits for the year will exceed the original goal of 12.5 billion yuan and will reach 13 billion yuan. This will mean that the objective to be struggled for by 1987 in the present reform program will be reached 2 years early. The progress on the seven key petrochemical projects under construction has been relatively rapid. At present, aside from the three ethylene projects that are proceeding according to plan at Daqing, Qilu, and Yangzi, the large chemical fertilizer project at Zhenhai on 2 June produced urea that was up to standard, and during July the large chemical fertilizer project at Urumqi carried out trial runs. The petrochemical industry has also advanced in strengthening cooperation with foreign interests. "Sun Oil," "Sino-Kang," and other joint investment projects continue to be established, thus expanding the scope of import-export flows and economic and technical exchange with foreign petrochemical firms. In January of this year, the State Council approved the transfer of organizations concerned with domestic petroleum product sales from the Ministry of Commerce back to the China Petrochemical Corp. By doing so, the integration of industry and trade, and of production and sales, has been further advanced.

China has comparatively rich oil and gas resources. It also has a vast domestic market with which no other country can compare. These are the important bases for the development of China's petrochemical industry. Although China's petrochemical industry still falls short of the petrochemical industries of the world's advanced countries, it has gained new vitality since the 12th CPC Congress called on the entire country to carry out thorough economic reforms and to speed the four modernizations. The petrochemical industry will make even greater contributions in the course of implementing the main tasks and objectives set by the 12th CPC Congress.

12994/9738
CSO: 4006/246

CHINA TO EXPAND BUILDING MATERIALS INDUSTRY

OW240908 Beijing XINHUA in English 0856 GMT 24 Feb 86

[Text] Beijing, 24 Feb (XINHUA)--The development of China's building materials industry this year is to focus on quality, energy consumption and variety, a senior official said during a national meeting on this industry now under way here.

Lin Hanxiong, director of the State Bureau of Building Materials, said that the construction of large and medium-sized cement works is the priority for developing building materials. According to him, China is to intensify its efforts to turn out cement-processing equipment with a daily capacity of 1-2,000 tons and plans to cooperate with foreign countries for such equipment with a daily capacity of 4,000 tons.

By 1990, he said, China will produce 100 million tons of high-quality cement, accounting for 60 percent of the total cement production.

On plate glass production, the director also revealed that a float process production line with a daily capacity of 700 tons is planned to be built in collaboration with foreign enterprises. And with its completion, it is planned to turn out nearly 20 million cases of float-processed plate glass of a quality equal to the advanced international level by 1990, he added.

Ling stressed that reduction of energy consumption should be the top priority while expanding production. He said that the energy consumption for producing cement and plate glass should be reduced by at least 1 percent.

Meanwhile, sources from the bureau said that about 400 officials and experts participating in the meeting are discussing a series of technological policies governing the production of building materials, including how to develop new-type materials and ceramics.

With the growing construction both in urban and rural areas, the market demand for building materials is increasing rapidly. Some specialists estimate that for new-type materials alone, the potential marketing volume could be over several hundred million yuan-worth.

Last year's total output value of building materials reached 34 billion yuan, an 18.5 percent increase over 1984's 28.7 billion yuan. And production of major types of materials overfulfilled the targets set for the period, with the output of cement reaching 142 million tons and plate glass, 56 million cases.

INDUSTRY

ZHEJIANG TIGHTENS CONTROLS OVER SCRAP IRON, STEEL

Hangzhou ZHEJIANG RIBAO in Chinese 14 Oct 85 p 1

[Article by Chen Jie [7115 2212]: "Zhejiang Reforms System of Managing Scrap Iron and Steel"]

[Text] Zhejiang is reforming the present system of managing scrap iron and steel. Beginning in 1986, a new system will link the allocation of steel to the receipt of scrap iron and steel. Supplies, recycling, and conservation all will be managed by linking the allocation of steel to the receipt of scrap iron and steel, according to an enterprise's place in the planning system, and the channels of distribution for steel. This new method is the result of study and of a resolution passed by the Zhejiang Conference on Steel Allocation Tied to Scrap Iron and Steel Recycling, which was recently convened by the provincial economic planning committee.

Scrap iron and steel are items in state planning. In Zhejiang, more than 300,000 tons of iron and steel scrap is available, of which 280,000 tons are recycled and 160,000 tons are turned over to the state and to the province. In recent years, following the advances in industrial and agricultural production, the shortage of iron and steel scrap has grown steadily worse. In some places, units have looked only at the economic interests of the locality or the unit and have held back from turning in this resource. They have taken the supplies of iron and steel scrap that they should have turned in and have used them in trading for steel on their own. Some have kept this resource to themselves and have used it in small electric furnaces to smelt steel or in small cupola furnaces to smelt iron. This not only wastes materials, it also wastes energy. Therefore, logical relationships are very important in the reform of the system of managing scrap iron and steel. This conference determined that starting next year, at the same time that the province sets a plan of steel allocations, the plan will also stipulate the scrap iron and steel that is to be turned in. Those units that fail to meet the quota set for recycled scrap will have their steel allocation reduced by 1 ton for every ton of scrap that they are short. Those units that meet or exceed their scrap iron and steel quota will receive appropriate rewards.

12994/9738
CSO: 4006/246

INDUSTRY

SULPHURIC ACID MARKET EXPECTED TO IMPROVE IN 1987

HK241317 Beijing CHINA DAILY in English 24 Feb 86 p 2

[Text] China's sluggish market for sulphuric acid, caused mainly by stockpiles of chemical fertilizer since 1984, is expected to become more lively next year, according to the newspaper ECONOMIC INFORMATION.

In recent years, the supply of chemical fertilizers has far exceeded market demand because of excessive imports and haphazard domestic production many chemical fertilizer businesses have been forced to cut production or cease operation. Stockpiles and over-production of chemical fertilizers have caused a serious slump in sales of sulphuric acid, one of the major raw materials in fertilizer.

Phosphate fertilizer businesses across the country consume about 60 percent of the country's total output of sulphuric acid each year. But last year, the phosphate fertilizer industry used 1.5 million tons less sulphuric acid than in 1984.

Sales of fertilizer have shown no signs of increase on domestic markets this year. As a result, the sulphuric acid industry will continue to suffer from a sales slump, the newspaper predicted.

However, the situation is expected to take a favourable turn by spring 1987, due to this year's smaller imports of chemical fertilizer, the closing down of some local businesses and the government's policy of encouraging farmers to use fertilizer, the newspaper predicted. The government also plans to develop new varieties of chemical fertilizers, which also should mean a larger consumption of sulphuric acid next year. The acid is also expected to gain additional sales next year from the development of the country's petrochemical industry, the article said.

Sulphuric acid is also a major raw material in the making of detergents. Production of detergents is expected to increase by about 21 percent this year. More than 770,000 tons of sulphuric acid will be used by the industry.

According to a state plan, production of titanium white, a pigment, will also bring a need for large quantities of sulphuric acid in the next 5 years.

Chemical fibre and iron and steel industries, major sulphuric acid consumers in China, are also expected to enjoy a production boom this year.

The Jinshan and Yizheng chemical fibre factories, expected to go into operation shortly in Jiangsu Province, will consume 170,000 tons of sulphuric acid this year.

Baoshan Iron and Steel Complex plans to use 22,000 tons this year, and the consumption will jump to 40,000 tons by 1990.

/9604
CSO: 4020/231

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INDUSTRY

BRIEFS

GUANGXI DEVELOPS NONFERROUS METAL INDUSTRY--Nanning, February 21 (XINHUA)--The Guangxi Zhuang autonomous region in South China will introduce more foreign funds in the next five years to develop its nonferrous metal industry. Local officials said here today that Guangxi is hoping to set up joint ventures and introduce foreign technology from countries such as Britain, France and Federal Germany to exploit its rich resources of nonferrous metals. The region has proven reserves of 14 nonferrous metals, and its reserves of tin are the biggest in China. Reserves of antimony, silver and bauxite are also among the largest in the country. The projects the region plans in the next five years include an aluminum factory with an annual production capacity of 400,000 tons of aluminum and a smelter which will produce 12,000 tons of tin and 50,000 tons of zinc every year. To provide energy for the development of its nonferrous metal industry, Guangxi also plans to build 10 hydroelectric power stations. [Text] [Beijing XINHUA in English 0704 GMT 21 Feb 86 OW] /12858

PRC PRODUCES SPARE PLANE PARTS--Beijing, February 25 (XINHUA)--China has produced about 800 spare parts for foreign plane manufacturers since 1980, according to today's ECONOMIC DAILY. These include hatches, ailerons, and water tanks, made by the China National Aerotechnology Import and Export Corporation. They were produced for companies in the United States, Britain, France, the Federal Republic of Germany, Canada, and Italy, including Boeing and General Electric of the United States. The daily said in 1985 China signed contracts with foreign airplane manufacturers for the production of spare parts valued at 25 million U.S. dollars. [Text] [Beijing XINHUA in English 1136 GMT 25 Feb 86 OW] /12858

JIANGNAN YARD TO BUILD SHIPS--Shanghai, February 27 (XINHUA)--The Jiangnan shipyard in Shanghai will build four cargo ships with computerized engine rooms for the Chinese-Polish Shipping Joint-Stock Company, under a contract signed here Tuesday. These 18,000-ton multi-purpose vessels will be delivered by October 1988. The Jiangnan shipyard, one of the largest of its kind in China, is building another two computerized 24,000-ton automobile carriers for a Federal German company for delivery June 1988. Each carrier can load 3,600 cars. The shipyard has built and exported 13 vessels totalling 161,000 tons over the past five years. [Text] [Beijing XINHUA in English 1248 GMT 27 Feb 86 OW] /12858

NEW STEEL CASTING TECHNOLOGY DEVELOPED--Beijing, February 27 (XINHUA)--China has developed its first double pass horizontal continuous steel casting machine and has received approval by the Ministry of Metallurgy, it was reported here today. A ministry official said the horizontal continuous casting technology, a new technology now being developed around the world, is new to China. This first machine meets international standards in its technological processes, equipment and automation. The computer controlled machine was developed by the Ma'anshan Iron and Steel Company in less than three years as a major development project for the Sixth Five-Year Plan period, 1981 to 1985. The ministry official said that the machine, able to produce 50,000 tons of 80mm diameter round blooms a year, was of great practical significance to medium-sized and small steel works in China, especially in the technical transformation of special steel and seamless steel tube. The machine will be produced in batches as a mature, universally applicable model in China. [Text] [Beijing XINHUA in English 1513 GMT 27 Feb 86 OW] /12858

BAOGANG BEGINS PRODUCTION--(XINHUA)--In the first month of trial production at Shanghai's Baoshan Steel Mill, more than 260 heats of steel were produced. Steel production exceeded 75,000 tons, all of which was up to standard quality. The No 1 converter at the Baoshan Steel Mill began production on September 20, and the No 2 converter also began trial production 6 days later. During this first month, production from these two 300-ton converters was normal, and at peak times one shift could produce 7 heats of steel. The average amount of iron and steel materials consumed by each heat dropped to below 1,110 KG, reaching the most advanced domestic standard. [Text] [Hangzhou ZHEJIANG RIBAO in Chinese 21 Oct 85 p 3] 12994/9738

ROBOT WELDER WORKING AT PLANT--Harbin, 24 Feb (XINHUA)--China's first arc-welding robot is working well at an automobile plant in this capital of Heilongjiang Province. Manufactured jointly by the Harbin Engineering University and the state-owned Fenghua Machinery Plant over the past 2 years, the 1.6-meter-high, 750 kg robot is able to follow some 20 orders. Tests over the last month have shown that it can do skilled work satisfactorily. Liang Sili, chief engineer of the Ministry of Astronautics, told XINHUA at an appraisal meeting last Friday that robots can replace workers in conditions of high temperature and noise. He said that his ministry will manufacture batches of robot welders. China has listed robot research and manufacture as key items in the seventh 5-year plan (1986-1990). It has more than 20 robot research institutes and development centers which have manufactured 100 robots since the early 1970s, including a robot that can work under water. [Text] [Beijing XINHUA in English 1049 GMT 24 Feb 86] /9604

ZHEJIANG INDUSTRIAL OUTPUT VALUE--Hangzhou, 3 Feb (XINHUA)--Zhejiang, one of east China's more developed provinces, has more than doubled its annual industrial output value in the last 6 years. Local officials said here today the figure reached over 44.1 billion yuan (U.S.\$13.8 billion) last year, up 134 percent increase since 1980. They attributed the jump to greater attention to such light industries as refrigerator manufacturing, development of industrial enterprises in rural areas, increased quality--and resulting increased demand for--silk and other goods, and development of new industrial products. [Text] [Beijing XINHUA in English 0902 GMT 3 Feb 86] /9604

CONSTRUCTION

PUBLIC BIDDING INTRODUCED IN CAPITAL CONSTRUCTION

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 9 Dec 85 p. 3

[Article: "Capital Construction Projects Adopt Public Bidding System To Cut Down on Cost and Time"]

[Text] Beijing (XINHUA)--Information provided by the State Economic Commission indicates that the reform resulting in the adoption of the public bidding system has given impetus to the surging momentum of competing to raise economic results on China's capital construction front.

At the moment, this reform has developed from small-scale residential construction projects to large and medium industrial and transport projects and public bidding in construction has expanded to include designing and individual projects, and the scope of public bidding has extended from a single department or region to transdepartmental and transregional public bidding.

Public bidding was invited for the 500,000-volt direct-current transmission-transformer line project more than 1,000 km long between Shanghai and Gezhouba. More than 20 power transmission-transformer companies across the country were attracted to enter into this competition which is divided into 7 sections and 2 major projects. Some of these companies making full use of their own equipment asked less for equipment fees; some proposed to advance materials so that construction of key sections could be started in time; some tapped their internal potential in depth to cut down management expenses and reduce cost; all of them have tried every means to put their own advantages into play. The winning bid submitted by nine companies in the final round was 27 percent lower than the original budgetary estimates, thus making it possible to save 67 million yuan in investment. Between January and September this year, the state building construction enterprises put in public bidding for more than 4,600 residential construction projects covering a construction area of 12 million square meters, more than 10 percent of the total construction area. The cost of these projects is approximately 6 percent lower than the general budgetary estimates and the construction time is shortened by about 20 percent.

Public bidding for designing is being carried out gradually in the wake of public bidding for construction. Successful attempts have also been made to make policy decisions on construction projects related to both competitive

selection of projects and opening of sealed bids at fixed locations. The order of priority for the construction of the three large alkali factories in Shouguang of Shandong, Nanbao of Hebei, and Lianyungang of Jiangsu has been arranged following public bidding this year, as a result, the total contracted investment for these three projects came to more than 375 million yuan less than that originally proposed in the budgetary estimate, and conditions for construction have also been further improved.

12662/9365
CSO: 4006/511

CONSTRUCTION

DEVELOPMENT OF URBAN, TOWNSHIP HOUSING CONSTRUCTION

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 17 Dec 85 p 1

[Article: "Accelerate Urban and Township Housing Construction, Improve Residents' Living Conditions; Houses Covering More Than 100 Million Square Meters in Floor Space Will Be Completed This Year; New Houses of 750 Million Square Meters in Floor Space Will be Built During Seventh 5-Year Plan Period"]

[Text] Beijing (XINHUA) 16 December--This reporter has learned from the Ministry of Urban and Rural Construction and Environmental Protection that China's housing construction will continue to keep up with the excellent momentum of development this year and it is estimated that about 120 million square meters in floor space will be completed in the whole year and that the per capita living space in cities and towns is expected to reach approximately 5 square meters. So far, China's new houses in cities and towns during the Sixth 5-Year Plan period total 620 million square meters in floor space.

During the Sixth 5-Year Plan period, China's governments at all levels and enterprises and establishments have attached much importance to housing construction, with the state and the collectives allocating large amounts of funds for use in construction. Special loans extended by the Construction Banks in various localities alone totaled 3.34 billion yuan.

China has also attached importance to developing commercialized housing. The Housing Construction and Development Corp. of China and its 102 local companies built a total of 6 million square meters of commercialized housing in 1984, the construction area this year will cover 18 million square meters, of which 9.76 million are expected to be completed according to plan. The commercialized houses covering 3.8 million square meters in floor space completed between January and June have all been sold. At present, housing sales are developing from sale with subsidy toward sale to individuals with payment in full.

During the Seventh 5-Year Plan period, China will accelerate housing construction in cities and towns by promoting commercialized housing and restructuring the housing system. We should make efforts to build more houses next year by steadily giving play to the activism of the state, the localities, enterprises, and individuals. We should also encourage individuals in cities and towns to build houses with the government providing them conveniences and assistance.

It is learned that by 1990, new houses in cities and towns are expected to reach 750 million square meters in floor space, an increase of 130 million square meters over the Sixth 5-Year Plan period; by then, the average per capita living space will reach 6 square meters.

It is understood that while reforming the present housing system and promoting commercialized housing step by step, commercializing of office buildings, shops, standard factory buildings and structural components, and other building products should also be promoted step by step. We should promote compensation use of municipal facilities and gradually charge reasonable fees for use of public utilities so as to accelerate the development of urban infrastructures.

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CSO: 4006/511

CONSTRUCTION

JIANGSU SPEEDS UP CONSTRUCTION OF KEY PROJECTS

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 8 Dec 85 p 1

[Article by reporter Gao Feng [7559 1496]: "Jiangsu Accelerates Construction of Key Projects--Construction of the 4.6 Billion-Yuan Yangzi Ethylene Project Stepped Up"]

[Text] Nanjing (XINHUA) 7 December--Construction of the Yangzi ethylene project, a 6.7-billion-yuan large modern petrochemical construction project, is being stepped up at present in the northwestern suburb of Nanjing City.

This key project listed under the Sixth 5-Year Plan comprises 10 sets of large equipment for petrochemical production including ethylene equipment with an annual capacity of 300,000 tons, refined p-xylene acid equipment of 450,000-ton capacity, and arene combining equipment of 450,000-ton capacity, capable of processing 3 million tons of crude oil and producing 2,311,000 tons of various kinds of petrochemical products. By the end of October, 78 percent of the fiscal investment plan had been fulfilled, and it is expected that the construction plan for the whole year will be overfulfilled.

By national key projects, we mean construction projects included in the state construction planning having a great impact on national economic development. There are 169 construction projects of this category listed in China's Sixth 5-Year Plan, of which 13 with a total investment of 10.5 billion yuan are in Jiangsu Province.

The No 1 branch factory of the Yizheng Chemical Fiber Industrial Combined Corp. with a total investment of more than 2.48 billion yuan was completed and turned over for production during the first half of this year, construction of the No 2 branch factory has also started. After this key state construction project is completed and put into operation in 1987, it will produce 240,000 tons of polyester short fiber and more than 350,000 tons of polyester slices annually. After completion, the abovementioned two projects will yield an annual output value of 7 billion yuan.

The Chinese Government has always paid attention to transport and energy construction. Of the 13 national key projects in Jiangsu Province, 7 come under this category. The Lianyungang expansion project and the Nanjing Xinshengxu harbor construction are both progressing smoothly. The construction of three

berths for 15,000-ton-class ships at Xinshengxu and six deepwater berths for 10,000-ton-class ships at Lianyungang to be completed this year has been completed and put into operation as planned and groundwork for ongoing expansion projects at these two harbors has also been laid. The project to expand the Xizhou railway hub has been started, of which the renovation of the highway-railway overpass and the locomotive section is expected to be completed at the end of this year. One of the two 200,000-kw power-generating units under construction and expansion of the Xuzhou Power Plant was completed and put into operation and the other one is expected to be hooked up for power generation within this year. After these transport and energy projects are completed, they will play a tremendous role in promoting economic development in Jiangsu Province and areas in the lower reaches of the Chang Jiang.

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CSO: 4006/511

CONSTRUCTION

SHANXI DEVELOPS COAL-CONSUMING INDUSTRIES

OW250900 Beijing XINHUA in English 0844 GMT 25 Feb 86

[Text] Taiyuan, February 25 (XINHUA)--Shanxi province--China's leading coal producer--has a problem: since 1980 it has annually generated more coal than the country's transport system could handle.

Last year, for example, it was able to ship 130 million of the 207 million tons it mined.

But rather than limit production to what can be used within the province or shipped, provincial officials have developed thousands of enterprises that use the coal to meet China's other needs.

Over the next five years the province will accelerate investments in industries that process coal or use it for fuel while halting spending on new coal mines.

Last year alone Shanxi was able to send out two billion kWh of electricity and three million tons of calcium carbide, fertilizer, coal tar, coke and pig iron.

To increase its value to the rest of the country--and to better use its excess coal--the province has been building thousands of small iron works, calcium carbide plants and building materials factories. So far the cost has been 300 million yuan, invested by the province and by other parts of China.

About 225 small furnaces went into operation last year and another 303 are still under construction. With a total volume of 6,400 cubic meters, these furnaces are expected to consume more than four million tons of coal annually.

Officials in the provincial capital said today that expanding the iron works would help develop other industries--such as ore mining, coking, machinery, building materials and transportation. These are expected to produce between 200 and 300 million yuan a year in profits and provide 100,000 jobs.

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CSO: 4020/235

CONSTRUCTION

GUANGZHOU SHIPYARD BUILDS MOORING PLATFORM

OW201852 Beijing XINHUA in English 1835 GMT 20 Feb 86

[Text] Guangzhou, February 20 (XINHUA)--The Huangpu shipyard in this capital of Guangdong Province completed the construction of a single-point mooring platform today and handed it over to the first commercial oilfield in the South China Sea.

A specialized petroleum equipment manufacturer, the shipyard built the key part of the platform and undertook its assembly.

With a height of 43 meters and a weight of more than 700 tons, the platform is designed to withstand the strongest hurricanes. No repairs will be needed for the next 25 years.

Used to transport oil to shore and anchor oil tankers of up to 170,000 dwt, the platform was designed by the French EMH Company. Part of the equipment was manufactured in shipyards in Japan and Hong Kong.

The owners of the platform, which was built in only five months, are the French Total Company and the Chinese Nanhai (South China Sea) Western Petroleum Corporation.

Wang Yan, general manager of the Chinese Corporation, said the platform is of importance to the production of the first oilfield--Wei 10-3--which is scheduled for June this year.

The equipment passed a check done by a group jointly formed by the China General Petroleum Industry Corporation, the Nanhai Western Petroleum Corporation, Total and EMH at the end of 1985.

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CSO: 4020/235

FOREIGN TRADE AND INVESTMENT

TECHIMPORT ACCEPTS FOREIGN BIDS FOR POWER EQUIPMENT

OW251434 Beijing XINHUA in English 1311 GMT 25 Jan 86

[Text] Beijing, 25 Jan (XINHUA)--The China National Technical Import Corporation [TECHIMPORT] will purchase machinery, building materials, and generating and transmission equipment for its energy construction projects in the form of international bidding this year.

The projects include the Lubuge hydropower station in Yunnan, Beilungang thermal power station in Zhejiang, Shuikou hydropower station in Fujian, Yantan hydropower station in Guangxi and the 500 kV transmission line from Xuzhou to Shanghai.

An official from the International Tendering Company of TECHIMPORT told XINHUA that the World Bank will provide loans equivalent to nearly U.S.\$1 billion for these projects.

The Shuikou hydropower station on the Min Jiang in Fujian is the biggest of these projects, with a generating capacity of 1.4 million kW in its first phase of construction. The World Bank will provide a loan for its construction.

Firms from Canada, the Federal Republic of Germany, France, Italy, Japan, Sweden, Switzerland, and the United States attended the bid-opening ceremony for the Lubuge project today, held under the auspices of the International Tendering Company. A total of 12 bids was received.

The bids were mainly for purchasing energy management systems and communications system for the project, which will use a loan equivalent to more than U.S.\$140 million provided by the World Bank.

The Lubuge hydropower station, located about 200 km east of Kunming, the capital of Yunnan Province, is China's first project of its kind constructed using a World Bank loan. It will be completed in 1989 and have a total generating capacity of 600,000 kW.

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CSO: 4010/31

FOREIGN TRADE AND INVESTMENT

STATUS REPORT ON PATENT LAW

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese 1 Jan 86 p 70

[Article by Wang Xidong [3769 2569 2639]: "Patent Law in Action"]

[Text] From 1 April 1985 when the "Patent Law of the People's Republic of China" came into effect on 9 September the same year, the State Patent Bureau received 9,867 patent applications, of which 6,080 applied for invention patents, 3,364 for utility and novelty patents and 423 for industrial design patents. Chinese enterprises, institutions and individuals were responsible for 6,632 applications while 3,235 were filed by foreigners.

On 10 September 1985, the State Patent Bureau held a press conference in Beijing at which Director Huang Kunyi [7806 0981 4135] announced the first batch of patent applications, including 46 applications in the invention category, 65 in the utility and novelty category and 39 in the industrial design category. Among them were 26 foreign applications and 43 individual applications.

At the same time, the State Patent Bureau has published a booklet on this batch of patent applications, another on the examination and approval procedures and a third on the application for a utility and novelty patent. They were made available for nationwide public distribution together with the announcement.

It is about these developments that the reporter interviewed Director Huang Kunyi. He said, "With the announcement of the first batch of patent applications, the implementation of the Patent Law has taken a big step forward. It shows that patent work is developing surely and steadily in China and that we have begun our own patent literature and are building up a comprehensive technical file on our own inventions and innovations, which should play an important role in the dissemination of information on inventions and the popularization of new technology."

Director Huang Kunyi said, "From now on, China's patent literature will be a new addition to the 30 million pieces of patent documents in the world collection today. We may say this is of historical significance."

He said, "New China's first Patent Law was promulgated and went into effect on 1 April this year. Earlier, on 14 September 1984, the Eighth Session of

the Sixth National People's Congress standing committee decided that China should join the 'Paris Convention on the Protection of Industrial Property' in order to cooperate with the world to promote such protection. After the Patent Law took effect, many enterprises and individual overseas indicated their desire to take out a Chinese patent and considered the promulgation of the law a landmark in the history of industrial property protection in the world. Over the past few months, the Patent Bureau received over 3,000 overseas applications, evidence enough of the high level of interest abroad in the establishment and implementation of China's patent system."

He pointed out, "Judging from the number of announced patent applications, the percentage of foreign applications remains quite small, about 1.7 percent of all announced patent applications. On the other hand, about 33 percent of all applications received by the Patent Bureau comprise foreign applications. Why?"

Director Huang Kunyi provided an explanation. He said, "As we all know, the Patent Law involves foreign relations as well as being a piece of domestic legislation. It was promulgated to develop China's economic and technical exchange and cooperation with the world as well as to protect domestic invention and innovation. The publication of the first batch of patent applications was based on three considerations: (1) patent applications made a request in their applications for substantive examination and early announcement; (2) the application papers were well prepared, which facilitates processing; and (3) the applications were submitted relatively early, the bulk of them on 1 April."

China and the rest of the world follow different timetables when it comes to announcing patent applications. Elsewhere, applicants usually request a time lag of 18 months before their applications are made public. This is another reason why the percentage of announced foreign applications is so small.

Director Huang Kunyi said, "China encourages foreigners to take out a patent in China. Our regulations provide that a foreign applicant who first applied for a patent abroad after 1 October 1984 may request priority in accordance with the law when he applies for a patent in China. The signs are that the percentage of foreign applicants will increase gradually."

Director Huang Kunyi said, "The Bureau's examination department has begun to classify patent applications and is carrying out the first round of preliminary examination. Some of the invention patent applications have entered the stage of substantive review. Relevant departments in the bureau are working intensively right now."

The State Patent Bureau currently employs over 200 substantive examiners in for substantive examinations departments each looking after different technical fields. All examiners hold scientific or engineering qualifications from institutions of higher education and most have considerable practical experience and are familiar with the techniques of their own specialties.

They have also been trained in the Patent Law and the practice of patent examination. In addition, the State Patent Bureau has specifically set up a classified file for inspection.

Director Huang Kunyi said, "In most cases examiners and applicants exchange opinions in the course of examination and many applicants amend their applications in accordance with the law."

About the publication of patent applications before the bureau approves them, he said, "We announce them to give people an opportunity to object to a particular application. This is also an important way of ensuring the quality of our examination and approval process."

He said, "Often the manufacturing method of identical or similar products is being researched, produced or applied in more than one unit, so the objecting process is essential to both research and production units. Say someone wants to take out a patent on a product or process which has already been published in journals, or been manufactured successfully by another unit and applied or popularized in actual production. In this case, the objecting process must be made full use of to prevent the person from obtaining the patent he seeks. Otherwise a patent dispute may possibly arise."

Director Huang Kunyi said, "Of course, the Patent Law provides that after a patent is granted, any person who knows of any reason why the patent should have been denied may ask the Patent Review Committee to declare the patent null and void. Still, 'prevention is much better than cure.'"

Director Huang Kunyi continued, "The Patent Law provides for a 3-month objecting period, beginning with the day when the application is announced. Only if no objection is raised during this period or if the objection is found to have no merit will the bureau proceed with the decision to award the patent and present the applicant with a patent certificate. The matter will be recorded and announced. Only at this point is the application considered to have been approved and only then does the patent formally take effect. But the Patent Law and its detailed regulations give temporary protection to a patent application after it has been published or announced, that is, after the substance of the invention or innovation becomes public knowledge. No individual or unit is allowed to use the invention at will. To use it, he must pay a use fee of an appropriate amount and obtain it through technology-transfer procedures."

Director Huang Kunyi said, "Under the Patent Law, a patent application is entitled to provisional protection only after the bureau has announced or published it. To help foreign readers keep track of China's patent information, therefore, China's patent bulletin and booklet will be distributed to various nations through exchange. Also, in the interest of easy reference, the Patent Bureau will publish a digest in English of patent applications in China in order to promote the interflow of patent information. At present

the Patent Bureau has established patent literature exchange relations with 14 nations and 2 international organizations." Director Huang Kunyi said that colleagues and patent experts overseas are welcome to raise objections to patent applications we have announced.

TRANSPORTATION

FOREIGN FUNDS TO AID IN DEVELOPING TRANSPORT

OW211156 Beijing XINHUA in English 0857 GMT 21 Feb 86

[Text] Beijing, 21 Feb (XINHUA)--China expects to build 50 deep-water berths with foreign investment in the next 5 years, the Communications Ministry said here today. The berths will be located at the cities of Dalian in Liaoning Province, Lianyungang in Jiangsu, Qingdao in Shandong, Qinhuangdao in Hubei, Shanghai and Tianjin and at Guangzhou's Huangpu port.

Lu Xiling, director of the ministry's Planning and Statistics Bureau told XINHUA most of the foreign funds would come from preferential loans extended by the World Bank and the Japanese Government. He said other funds would come from joint ventures and direct foreign investment, although exact amounts of loans and investments will not be known until negotiations have been completed.

Some of the funds would also be used to build expressways and to asphalt and widen roads, he said.

According to Lu, the ministry spent \$250 million in foreign funds during the last 5 years for new wharves at China's major ports. Among those built, he said, were a coal wharf for 50,000-ton ships at Qinhuangdao, another coal wharf for 100,000-ton vessels at Shijiu, Shandong Province, and container wharves at Huangpu, Shanghai and Tianjin.

Foreign funds to be used during the seventh five-year plan period (1986-1990) will "far surpass" the previous 5 years, Lu said.

The Chinese Government has signed letters of intent with the British and Dutch governments to jointly build wharves at Nantong in neighboring Zhejiang Province. "Studies for the projects are now under way," Lu said.

Moreover, negotiations on joint construction and management of transport facilities are being held with firms from Australia, Brazil, the United States, as well as Hong Kong. "Foreign firms investing in transport facilities will enjoy preferential terms," the director said. These include guarantees of docking fees high enough to help generate projected incomes, joint management agreements for 30 years or (?more), and income tax exemptions lasting 5 years from the opening of jointly built wharfs.

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TRANSPORTATION

ECONOMIC REFORMS CUT RED TAPE IN TIANJIN

OW181328 Beijing XINHUA in English 1308 GMT 18 Feb 86

[Text] Tianjin, 18 Feb (XINHUA)--The port of Tianjin, one of the largest in northern China has increased both handling volume and profits owing to China's ongoing economic reforms.

The reforms at the port, aimed at increasing autonomy in construction, use of foreign investment and appointment of officials, have been instituted since June 1984.

Tianjin port, which has trade relations with more than 150 countries and regions, handled 18.56 million tons of cargo in 1985, up 15.2 percent over the previous year.

Profits last year amounted to 156 million yuan, an 80.5 percent increase over 1984.

Efficiency was much improved with the port handling 528 more vessels last year than the year before.

An example of cutting red tape was in the purchase and installation of an imported computer. In the past it would have taken 1 or 2 years to complete the transaction, waiting for the approval from higher authorities. Last year it took only 1 month and a half since the port had the right of decision.

Any joint venture with investment of less than U.S.\$10 million can now be approved by the port authorities.

The port imported more than 300 items of loading equipment last year, replacing 37.3 percent of its old equipment.

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TRANSPORTATION

BRIEFS

PREPARATIONS FOR PORT FACILITIES EXHIBIT--Shanghai, 21 Feb (XINHUA)--Preparations have begun here for the March 1987 international exhibition of port facilities. Co-sponsored by the China Ports and Harbors Association and the Lop Lee International Services Company of Hong Kong, the exhibition will offer academic seminars on modern port management and technology. Exhibits will cover loading facilities, port construction and communications equipment, navigation and technical instruments. Sponsors of the exhibition say it will use displays, models, photos and videotapes to provide information on modern port technology. [Text] [Beijing XINHUA in English 1101 GMT 21 Feb 86] /9604

FIRST SHIP BUILT IN DOCK LAUNCHED--Shanghai, 20 Feb (XINHUA)--A 39,000-dwt bulk carrier, built in a dock instead of on a building berth, was launched at the Jiangnan shipyard here today. It was China's first experiment with building such a large ship in a dock, and the aim was to ease the pressure on berths. Named "Anping No 2," the carrier is 195 meters long and 28.4 meters wide. There are already two 60,000 dwt ships being constructed on the shipyard's berths. [Text] [Beijing XINHUA in English 1839 GMT 20 Feb 86] /9604

BUILDING, EXPANDING CIVIL AIRPORTS--Beijing, 21 Feb (XINHUA)--China is building and expanding 17 civil airports, bringing the total in operation to 90, according to the Civil Aviation Administration of China (CAAC). Officials here said China completed three new airports and expanded 12 in the 1980-1985 period. Now eight airports can accommodate Boeing 747s, and Boeing 737s and Tridents can use 32 airports. CAAC officials said the projects are concentrated on the international airline hubs, provincial capitals, important economic regions and tourist attractions. [Text] [Beijing XINHUA in English 1621 GMT 21 Feb 86] /9604

CAAC DIRECTOR ADDRESSES CONFERENCE--Beijing, 24 Feb (XINHUA)--China's National Airline added nearly 100 imported jets to its fleet over the past 5 years, bringing its total number of planes to 460, an aviation official said today. Hu Yizhou, director of the Civil Aviation Administration of China (CAAC), told an ongoing conference on civil aviation here that buying the jets enabled the airline to increase its passenger seats 70 percent since 1980. This year, he said, CAAC will add 30 jumbo jets

to its fleet. The planes, including Boeing 747s and 767s, were purchased primarily with money invested by the central and provincial governments. Hu said the planes have been used on some domestic routes as well as on international flights from China to Japan, Britain, France and the Federal Republic of Germany. [Text] [Beijing XINHUA in English 1637 GMT 24 Feb 86] /9604

HEILONGJIANG IMPROVES HIGHWAY TRANSPORTATION--Harbin, 14 Feb (XINHUA)-- Heilongjiang, China's northernmost province, has improved highway transportation over the past year by encouraging state units, collectives and individuals to undertake the work, according to local authorities today. Now it has more than 70,000 trucks and 46,000 tractors to transport freight, as well as 2,500 passenger vehicles--an increase of up to 30 percent over 1984. Individuals own 726 passenger vehicles and 13,000 trucks. Previously, however, transportation was mainly undertaken by state units. The province opened 40 passenger routes totalling 2,500 km last year. Now 96 percent of the province's townships and 70 percent of the villages are accessible to passenger vehicles. A total of 430,000 containers were transported on the highways last year; the cities of Harbin, Qiqihar, Mudanjiang and Jiamusi have container fleets. In addition, small freight loads transported on the highways totalled 1,200 tons last year. [Text] [Beijing XINHUA in English 0710 GMT 14 Feb 86] /9604

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